

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Charter Township of Marquette, Michigan	County Marquette
Fiscal Year End December 31, 2005	Opinion Date June 8, 2006	Date Audit Report Submitted to State July 28, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

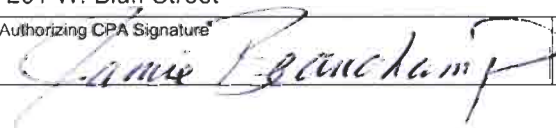
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**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Single Audit reports	
Certified Public Accountant (Firm Name) Makela, Toutant, Hill, & Nardi, P.C.		Telephone Number (906) 228-3600	
Street Address 201 W. Bluff Street		City Marquette	State MI
Zip 49855			
Authorizing CPA Signature 	Printed Name JAMIE BEAUCHAMP	License Number 1101024602	

Audited Basic Financial Statements  
Required Supplementary Information  
And Other Supplementary Information

**CHARTER TOWNSHIP OF MARQUETTE  
MARQUETTE, MICHIGAN**

December 31, 2005

Audited Basic Financial Statements  
Required Supplementary Information  
And Other Supplementary Information

**CHARTER TOWNSHIP OF MARQUETTE  
MARQUETTE, MICHIGAN**

December 31, 2005

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## Management's Discussion and Analysis

### Charter Township of Marquette

Year Ended December 31, 2005

Representing management of the Charter Township of Marquette, (Township), we offer readers of the Township's Financial Statements this narrative overview and analysis of the activities of the Township for the fiscal year ended December 31, 2005.

### **Overview of the Basic Financial Statements**

This discussion and analysis is intended to serve as an introduction to Marquette Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The **Statement of Net Assets** presents information on all of the Township's assets, liabilities, and net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Township's financial position is improving or deteriorating.

The **Statement of Activities** presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., state revenue sharing, earned but unused vacation leave, etc.).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (**governmental activities**) from other functions that are intended to recover all, or a significant portion of, their costs through user fees and charges (**business-type activities**). The governmental activities of the Township include: General, Fire, Township Improvements, Downtown Development, Liquor Law Enforcement, Downtown Development Authority, and Debt Service. The business-type activities of the Township include: Water, Wastewater, Solid Waste, Well Construction, Stormwater and Metro Authority.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Marquette Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: Governmental Funds, Proprietary Funds, and Fiduciary Funds.

**Governmental Funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, Governmental Fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of Governmental Funds is narrower than that of the government-wide financial statements, it is useful to compare the information for Governmental Funds to similar information presented for governmental activities in the government-wide financial statements. By doing so, readers

may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund balance sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between Governmental Funds and governmental activities.

Marquette Township maintains seven individual Governmental Funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, Fire Fund, and Township Improvement Fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor Governmental Funds is provided in the form of combining statements elsewhere in this report.

The Township adopts an annual appropriated budget for its General Fund and Special Revenue Funds. A budgetary comparison statement has been provided for the General Fund and other major funds to demonstrate compliance with this budget.

**Enterprise Funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses Enterprise Funds to account for its Water, Wastewater, Solid Waste, Well Construction, Stormwater and Metro Authority activities.

**Fiduciary Funds** are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Townships programs. The accounting used for Fiduciary Funds is much like that used for Proprietary Funds.

**Notes to the Financial Statements** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's financial activities.

### **Summary of Net Assets**

The condensed Statement of Net Assets as of December 31, 2005 and December 31, 2004 is as follows:

	2005		2004	
	Primary Government	Component Unit	Primary Government	Component Unit
<b>ASSETS</b>				
Current Assets	\$ 4,679,910	\$ 112,131	\$ 4,285,001	\$ 80,244
Capital Assets	5,858,731		5,652,015	
Other Assets	2,730,098		343,524	
<b>TOTAL ASSETS</b>	<b>\$ 13,268,739</b>	<b>\$ 112,131</b>	<b>\$ 10,280,540</b>	<b>\$ 80,244</b>
<b>LIABILITIES</b>				
Current liabilities	\$ 1,525,622	\$ 54,565	\$ 1,389,562	\$ 10,743
Non-current liabilities	4,661,555		2,062,500	
<b>TOTAL LIABILITIES</b>	<b>\$ 6,187,177</b>	<b>\$ 54,565</b>	<b>\$ 3,452,062</b>	<b>\$ 10,743</b>
<b>NET ASSETS</b>				
Investment in capital assets, net of related debt	\$ 4,085,092		\$ 4,005,785	
Restricted	348,879	\$ 57,566	343,524	\$ 69,501
Unrestricted	2,647,591		2,479,169	
<b>TOTAL NET ASSETS</b>	<b>\$ 7,081,562</b>	<b>\$ 57,566</b>	<b>\$ 6,828,478</b>	<b>\$ 69,501</b>

At December 31, 2005, the Township is able to report positive balances in all three categories of net assets, both the government as a whole, as well as for its separate governmental and business-type activities.

In 2005 and 2004, the Township's net assets increased by \$253,084 and \$238,155, respectively and is shown as follows:

### **Summary of Statement of Activities**

	2005			2004		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
<b>REVENUE</b>						
Charges for services	\$ 6,419	\$ 1,251,026	\$ 1,257,445	\$ 50,217	\$ 1,153,426	\$ 1,203,643
Capital grants and contributions		28,120	28,120	24,770		24,770
Property taxes	1,077,907		1,077,907	992,762		992,762
State revenue sharing	244,598		244,598	241,852		241,852
Interest income	28,203	69,982	98,185	18,829	60,374	79,203
Other revenue	108,339	368,287	476,626	110,830	215,324	326,154
<b>TOTAL REVENUE</b>	<b>\$ 1,465,466</b>	<b>\$ 1,717,415</b>	<b>\$ 3,182,881</b>	<b>\$ 1,439,260</b>	<b>\$ 1,429,124</b>	<b>\$ 2,868,384</b>
<b>EXPENDITURES</b>						
General government	\$ 529,932		\$ 529,932	\$ 582,511		\$ 582,511
Public Safety	525,563		525,563	494,657		494,657
Public Works	12,053	\$ 271,316	283,369	13,398	\$ 252,569	265,967
Recreation and cultural	130,109		130,109	121,614		121,614
Road Improvements	232,346		232,346			
Interest on long-term debt	78,216		78,216	56,875		56,875
Water and sewer		1,145,103	1,145,103		1,103,931	1,103,931
Other expenditures	4,674	485	5,159	4,674		4,674
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,512,893</b>	<b>\$ 1,416,904</b>	<b>\$ 2,929,797</b>	<b>\$ 1,273,729</b>	<b>\$ 1,356,500</b>	<b>\$ 2,630,229</b>
Change in net assets	\$ (47,427)	\$ 300,511	\$ 253,084	\$ 165,531	\$ 72,624	\$ 238,155
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 1,029,988</b>	<b>\$ 6,051,574</b>	<b>\$ 7,081,562</b>	<b>\$ 1,077,415</b>	<b>\$ 5,751,063</b>	<b>\$ 6,828,478</b>

### **Financial Analysis of the Township's Funds**

As noted earlier, the Township used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds:** The focus of the Township's Governmental Funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a Township's net resources available for spending as of the end of the fiscal year.

As of December 31, 2005, the Township's Governmental Funds reported combined ending fund balances of \$392,911. Approximately 73 percent of this total amount, \$288,350, constitutes unreserved fund balance, which is available for spending at the Township's discretion.

The General Fund is the chief operating fund of the Township. As of December 31, 2005, unreserved fund balance of the General Fund was \$173,735. Unreserved fund balance represents 16 percent of the total General Fund expenditures.

**Proprietary Funds:** The Township's Proprietary Funds provide the same type of information as the business-type activities found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water, Wastewater, Solid Waste, Well Construction, Stormwater, and Metro Authority Funds at the end of the year totaled \$2,574,229.

### **General Fund Budgetary Highlights**

The original budget and the final amended budget differed by an increase of \$16,032 and can be briefly summarized as follows:

Expenses increased mainly in the General Services Department, \$9,700, Planning Department, \$5,200, Debt Service Department, \$10,900, Assessor Department, \$3,000, Treasurer Department, \$2,400; offset by Building and Grounds, \$12,400, Recreation, \$1,000 and Appropriations, \$1,000.

### **Capital Asset and Debt Administration**

**Capital Assets:** The Township's investment in capital assets for its governmental and business type activities as of December 31, 2005, and December 31, 2004 amount to \$5,858,731 and \$5,652,015, respectively (net of accumulated depreciation). This investment in capital assets is as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Land	\$ 1,171,756	\$ 1,171,756	\$ 240,000	
Land improvements	27,205		560,293	\$ 560,293
Buildings and improvements	140,799	154,788	166,902	175,826
Machinery and equipment	18,018	21,671	28,712	40,198
Vehicles	362,744	392,310	66,690	32,770
Infrastructure assets			3,075,612	3,102,403
Total Capital Assets	<u>\$ 1,720,522</u>	<u>\$ 1,740,525</u>	<u>\$ 4,138,209</u>	<u>\$ 3,911,490</u>

Major capital asset purchases in 2005 include a Fire Department Rescue Vehicle for \$35,041; Police Vehicle for \$18,540; Code Enforcement Vehicle for \$5,200; Lions Field Improvements for \$27,205; Grinder Stations for \$59,320; Loader/Backhoe for \$44,600; Sewage Pumping Station for \$10,314; Land for \$240,000; Water Meter for \$7,000 and Sewer Mains for \$4,897.

**Long-Term Debt:** At the end of 2005 and 2004, the Township had total bonded and installment debt outstanding of \$4,634,075 and \$2,175,830. Of this amount, 100 percent comprises debt backed by the full faith and credit of the government.

	2005	2004
<b>Governmental Activities General Obligation</b>		
Refunding bonds -- unlimited Tax, series 1998	\$ 40,959	\$ 54,612
Land purchase note - 2004	509,600	548,800
Fire truck note	139,584	173,921
Compensated absences	31,615	27,902
Badger creek drain bonds	217,196	263,977
Total	<u>\$ 938,954</u>	<u>\$ 1,069,212</u>
<b>Business-Type Activities Bonds Payable</b>		
Refunding bonds -- unlimited tax series 1998	\$ 25,446	\$ 33,928
Refunding bonds -- limited tax series 1998A	863,292	1,028,705
Solid waste authority bonds	36,654	43,985
Land purchase note - 2005	240,000	
Michigan municipal bonds authority	2,529,729	
Total	<u>\$ 3,695,121</u>	<u>\$ 1,106,618</u>
Total Long Term Debt	<u>\$ 4,634,075</u>	<u>\$ 2,175,830</u>

### **Economic Factors and Next Year's Budget and Rates**

Revenue and expenses will be increasing in 2006. State Revenue sharing will remain near the 2005 levels. Property tax increases in the General and Fire Fund average 6%, the Water and Wastewater Funds have rate increases of 3%. The Water Fund will start collecting a debt service fee in 2006 (\$281,050) for payment of the water well project. The debt service fee in the Solid Waste fund also increased from \$12,000 to \$41,622 to accommodate tonnage fee increases for commercial users. The water well project will be completed in 2006.

During 2005, unreserved fund balance in the General Fund increased to \$173,735. The Township has presented a balanced budget in the 2006 budget, as there was no unreserved fund balance to appropriate.

The Water and Wastewater rates were increased by an average of three percent for all customers, along with the establishment of a DWRF debt service fee to finance the water project. Rate increases are necessary to finance the increasing cost of water and sewer system maintenance and operations.

### **Requests for Information**

This financial report is designed to provide a general overview of Marquette Township's finances. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to:

Randell Girard, Township Manager  
Marquette Township  
161 County Road 492  
Marquette, MI 49855



## **INDEPENDENT AUDITORS' REPORT**

Township Board  
Charter Township of Marquette  
Marquette, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Marquette, (Township), Marquette, Michigan, as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Marquette, Marquette, Michigan, as of December 31, 2005, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2006, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Township Board  
Charter Township of Marquette

The management's discussion and analysis and budgetary comparison information on pages one through five and 42 through 44, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The combining and individual non-major fund financial statements and supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Township. The combining and individual non-major fund financial statements and the schedule of expenditures and federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The supplemental information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Maakela, Toutant, Gill & Nardi, P.C.*

June 8, 2006

# STATEMENT OF NET ASSETS

## CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN

December 31, 2005

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Downtown Development Authority
<b>ASSETS</b>				
Cash and cash equivalents	\$ 730,986	\$ 2,096,319	\$2,827,305	\$ 51,171
Receivables:				
Taxes	983,572		983,572	60,960
Special assessments		136,880	136,880	
Trade accounts	46,412	557,011	603,423	
Prepaid expense	7,237	121,493	128,730	
Interfund balances	(102,500)	102,500		
Investment in wastewater treatment plant		251,861	251,861	
Investment in landfill authority		97,018	97,018	
Construction in progress		2,381,219	2,381,219	
Capital assets, net of accumulated depreciation	1,720,522	4,138,209	5,858,731	
<b>TOTAL ASSETS</b>	<b>3,386,229</b>	<b>9,882,510</b>	<b>13,268,739</b>	<b>112,131</b>
<b>LIABILITIES</b>				
Accounts payable	153,564	146,492	300,056	10,848
Deposits payable	24,000	61,172	85,172	
Accrued liabilities	12,133	8,597	20,730	
Accrued interest	20,419	6,934	27,353	
Deferred revenue	1,092,311		1,092,311	43,717
Noncurrent liabilities:				
Compensated absences	31,763	31,616	63,379	
Notes payable--due within one year	72,613	16,000	88,613	
Notes payable--due in more than one year	691,283	224,000	915,283	
Bonds payable--due within one year	63,776	364,530	428,306	
Bonds payable--due in more than one year	194,379	2,971,595	3,165,974	
<b>TOTAL LIABILITIES</b>	<b>2,356,241</b>	<b>3,830,936</b>	<b>6,187,177</b>	<b>54,565</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	956,626	3,128,466	4,085,092	
Restricted		348,879	348,879	57,566
Unrestricted	73,362	2,574,229	2,647,591	
<b>TOTAL NET ASSETS</b>	<b>\$1,029,988</b>	<b>\$6,051,574</b>	<b>\$7,081,562</b>	<b>\$ 57,566</b>

See accompanying notes to the basic financial statements.

## STATEMENT OF ACTIVITIES

**CHARTER TOWNSHIP OF MARQUETTE  
MARQUETTE, MICHIGAN**

Year Ended December 31, 2005

		Program Revenues			Net (Expense) Revenue & Changes in Net Assets			
		Charge for	Operating	Capital	Governmental	Business		Component
Expenses		Services	Grants and	Grants and	Activities	Type	Total	Unit
			Contributions	Contributions		Activities		
FUNCTIONS/PROGRAMS:								
Governmental Activities:								
Legislative	\$ 43,322				\$ (43,322)		\$ (43,322)	
General services and administration	486,611	\$ 3,592			(483,019)		(483,019)	
Public safety	525,563	2,527			(523,036)		(523,036)	
Public works	12,053				(12,053)		(12,053)	
Recreation	130,109				(130,109)		(130,109)	
Road improvements	232,346	300			(232,046)		(232,046)	
Interest on long-term debt	78,216				(78,216)		(78,216)	
Depreciation--unallocated	4,674				(4,674)		(4,674)	
TOTAL GOVERNMENTAL ACTIVITIES	1,512,893	6,419	\$ 0	\$ 0	(1,506,474)	\$ 0	(1,506,474)	\$ 0
ϕ Business Type Activities:								
Well construction	17,409					(17,409)	(17,409)	
Wastewater	509,135	415,806		28,120		(65,209)	(65,209)	
Water	618,559	657,331				38,772	38,772	
Solid Waste	271,316	177,889				(93,427)	(93,427)	
Other enterprise funds	485					(485)		
TOTAL BUSINESS TYPE ACTIVITIES	1,416,904	1,251,026		28,120		(137,758)	(137,758)	
TOTAL PRIMARY GOVERNMENT	\$2,929,797	\$1,257,445	\$ 0	\$ 28,120	(1,506,474)	(137,758)	(1,644,232)	0
Component unit--Downtown								
Development Authority	\$ 12,397	\$ 0	\$ 0	\$ 0				12,397
General Revenues:								
Taxes					1,077,907		1,077,907	
Unrestricted state sources					244,598		244,598	
Interest and investment earnings					28,203	69,982	98,185	462
Licenses, permits, and fees					9,725	115,885	125,610	
Miscellaneous					47,163	303,853	351,016	
Transfers--net					51,451	(51,451)		
TOTAL GENERAL REVENUES					1,459,047	438,269	1,897,316	462
CHANGE IN NET ASSETS					(47,427)	300,511	253,084	(11,935)
Net assets at beginning of year					1,077,415	5,751,063	6,828,478	69,501
NET ASSETS AT END OF YEAR					\$ 1,029,988	\$6,051,574	\$7,081,562	\$ 57,566

See accompanying notes to the basic financial statements.

GOVERNMENTAL FUNDS--BALANCE SHEET

**CHARTER TOWNSHIP OF MARQUETTE  
MARQUETTE, MICHIGAN**

December 31, 2005

	General Fund	Fire Fund	Township Improvement	Other Governmental Funds	Total Government Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 235,792	\$ 149,064	\$ 341,414	\$ 4,716	\$ 730,986
Receivables:					
Taxes	697,559	286,013			983,572
Trade accounts	46,412				46,412
Due from other funds	9,212				9,212
Prepaid expense	5,764	1,473			7,237
<b>TOTAL ASSETS</b>	<u>\$ 994,739</u>	<u>\$ 436,550</u>	<u>\$ 341,414</u>	<u>\$ 4,716</u>	<u>\$ 1,777,419</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 15,516	\$ 3,695	\$ 134,353		\$ 153,564
Deposits payable	24,000				24,000
Due to other funds			102,500		102,500
Accrued payroll expenses	10,146	1,987			12,133
Deferred revenue	771,342	320,969			1,092,311
<b>TOTAL LIABILITIES</b>	<u>821,004</u>	<u>326,651</u>	<u>236,853</u>	<u>\$ 0</u>	<u>1,384,508</u>
<b>FUND BALANCES</b>					
Reserved:			104,561		104,561
Unreserved, reported in:					
General Fund	173,735				173,735
Special Revenue Funds		109,899		4,716	114,615
<b>TOTAL FUND BALANCE</b>	<u>173,735</u>	<u>109,899</u>	<u>104,561</u>	<u>4,716</u>	<u>392,911</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 994,739</u>	<u>\$ 436,550</u>	<u>\$ 341,414</u>	<u>\$ 4,716</u>	<u>\$ 1,777,419</u>

See accompanying notes to the basic financial statements.

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

**CHARTER TOWNSHIP OF MARQUETTE**  
**MARQUETTE, MICHIGAN**

December 31, 2005

Total governmental fund balance \$ 392,911

Amounts reported for governmental activities in the Statement  
of Net Assets are different because:

Capital assets used in governmental activities are not financial  
resources; therefore, are not reported as assets in  
governmental funds. Capital assets at year end consist of:

Cost of capital assets	\$ 2,668,333	
Accumulated depreciation	<u>(947,811)</u>	1,720,522

Interfund payables and receivables to non-governmental funds are  
not included in the governmental activities Statement of Net  
Assets. The governmental funds have a net interfund receivable  
from the fiduciary funds of \$9,212, that is not included in the  
governmental activities in the Statement of Net Assets. (9,212)

Interest on long-term debt is recorded in the governmental  
activities Statement of Net Assets when it accrues regardless  
of when it is due. In the governmental funds, however, it  
is recorded as an expenditure when it is due, and thus  
requiring the use of current financial resources. The current  
year net change in accrued interest is \$20,419. (20,419)

Non-current liabilities, including bonds payable, are not due and  
payable in the current period; therefore, are not reported  
as liabilities in governmental funds. Non-current liabilities at  
year end consist of:

Bonds payable	(258,155)	
Notes payable	(763,896)	
Compensated absences	<u>(31,763)</u>	<u>(1,053,814)</u>

TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,029,988</u>
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See accompanying notes to the basic financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE--  
GOVERNMENTAL FUNDS

**CHARTER TOWNSHIP OF MARQUETTE**  
**MARQUETTE, MICHIGAN**

Year Ended December 31, 2005

	General Fund	Fire Fund	Township Improvement	Other Governmental Funds	Total Government Funds
<b>REVENUES</b>					
Taxes	\$ 774,028	\$ 303,879			\$ 1,077,907
Licenses, permits, and fees	5,117			\$ 4,608	9,725
State revenue sharing	244,598				244,598
Charges for services	3,592	2,527			6,119
Interest income	17,504	5,214	\$ 5,414	71	28,203
Reimbursement of prior year expense			300		300
Contributions and donations			1,000		1,000
Other	33,863	12,300			46,163
<b>TOTAL REVENUES</b>	<b>1,078,702</b>	<b>323,920</b>	<b>6,714</b>	<b>4,679</b>	<b>1,414,015</b>
<b>EXPENDITURES</b>					
Current:					
Legislative	43,322				43,322
General government	471,523	13,275	755		485,553
Public safety	222,378	199,067			421,445
Public works	12,053				12,053
Recreation	130,109				130,109
Road improvements			232,346		232,346
Capital outlay	23,740	51,792	24,850		100,382
Debt service:					
Principal	85,981	34,338			120,319
Interest	38,671	4,675		14,451	57,797
<b>TOTAL EXPENDITURES</b>	<b>1,027,777</b>	<b>303,147</b>	<b>257,951</b>	<b>14,451</b>	<b>1,603,326</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>50,925</b>	<b>20,773</b>	<b>(251,237)</b>	<b>(9,772)</b>	<b>(189,311)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Fire protection--outgoing		(20,000)			(20,000)
Operating transfers in	65,607		97,600	14,451	177,658
Operating transfers out	(55,100)	(46,500)		(4,607)	(106,207)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>10,507</b>	<b>(66,500)</b>	<b>97,600</b>	<b>9,844</b>	<b>51,451</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>61,432</b>	<b>(45,727)</b>	<b>(153,637)</b>	<b>72</b>	<b>(137,860)</b>
Fund balance at beginning of year	112,303	155,626	258,198	4,644	530,771
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 173,735</b>	<b>\$ 109,899</b>	<b>\$ 104,561</b>	<b>\$ 4,716</b>	<b>\$ 392,911</b>

See accompanying notes to the basic financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT  
OF ACTIVITIES

**CHARTER TOWNSHIP OF MARQUETTE  
MARQUETTE, MICHIGAN**

Year Ended December 31, 2005

Net change in fund balances--governmental funds			\$ (137,860)
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation.			
Depreciation expense	\$ (105,989)		
Capital outlay	<u>100,382</u>	(5,607)	
Accrued interest is recorded in the Statement of Activities when incurred; it is not reported in governmental funds until paid.			(20,419)
Repayments of long-term debt principal is an expenditure in the governmental funds, but not in the Statement of Activities.			120,319
In the Statement of Activities, certain operating expenses related to compensated absences are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This year the total amount earned for compensated absences exceeded the amount paid.			<u>(3,860)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES			<u><u>\$ (47,427)</u></u>

See accompanying notes to the basic financial statements.

# STATEMENT OF NET ASSETS--PROPRIETARY FUNDS

## CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN

December 31, 2005

	Well Construction Fund	Wastewater Fund	Water Fund	Solid Waste Fund	Other Enterprise Funds	Total
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 2	\$ 1,192,915	\$ 661,705	\$ 206,691	\$ 35,006	\$ 2,096,319
Receivables:						
Special assessments		136,880				136,880
Trade accounts		46,488	487,844	22,679		557,011
Due from other funds	131,099			102,500		233,599
Prepaid expenses	72,113	24,558	24,275	547		121,493
<b>TOTAL CURRENT ASSETS</b>	<b>203,214</b>	<b>1,400,841</b>	<b>1,173,824</b>	<b>332,417</b>	<b>35,006</b>	<b>3,145,302</b>
Noncurrent assets:						
Buildings and improvements		141,006	212,955			353,961
Machinery and equipment		46,900				46,900
Vehicles		63,187	63,187			126,374
Land			240,000			240,000
Land improvements		560,293				560,293
Infrastructure assets		2,680,419	1,822,789			4,503,208
Accumulated depreciation		(884,350)	(808,174)			(1,692,524)
Construction in progress	2,381,219					2,381,219
Investment in wastewater treatment plant		251,861				251,861
Investment in landfill authority				97,018		97,018
<b>TOTAL NONCURRENT ASSETS</b>	<b>2,381,219</b>	<b>2,859,316</b>	<b>1,530,757</b>	<b>97,018</b>	<b>0</b>	<b>6,868,310</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,584,433</b>	<b>\$ 4,260,157</b>	<b>\$ 2,704,581</b>	<b>\$ 429,435</b>	<b>\$ 35,006</b>	<b>\$ 10,013,612</b>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	\$ 72,113	\$ 12,854	\$ 48,270	\$ 12,771	\$ 484	\$ 146,492
Deposits payable			48,927	12,245		61,172
Accrued payroll expense		4,773	3,404	420		8,597
Interest payable		6,934				6,934
Due to other funds			131,099			131,099
Current portion of bonds payable	185,000	171,428		8,102		364,530
Current portion of notes payable						
<b>TOTAL CURRENT LIABILITIES</b>	<b>257,113</b>	<b>195,989</b>	<b>231,700</b>	<b>33,538</b>	<b>484</b>	<b>718,824</b>
Noncurrent liabilities:						
Accrued sick and vacation		15,808	15,808			31,616
Bonds payable, net current portion	2,344,729	598,318		28,551		2,971,598
Notes payable, net current portion			240,000			
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>2,344,729</b>	<b>614,126</b>	<b>15,808</b>	<b>28,551</b>	<b>0</b>	<b>3,003,214</b>
<b>TOTAL LIABILITIES</b>	<b>2,601,842</b>	<b>810,115</b>	<b>487,508</b>	<b>62,089</b>	<b>484</b>	<b>3,962,038</b>
<b>NET ASSETS</b>						
Invested in capital assets, net of debt		1,837,709	1,290,757			3,128,466
Restricted		251,861		97,018		348,879
Unrestricted	(17,409)	1,360,472	926,316	270,328	34,522	2,574,229
<b>TOTAL NET ASSETS</b>	<b>(17,409)</b>	<b>3,450,042</b>	<b>2,217,073</b>	<b>367,346</b>	<b>34,522</b>	<b>6,051,574</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,584,433</b>	<b>\$ 4,260,157</b>	<b>\$ 2,704,581</b>	<b>\$ 429,435</b>	<b>\$ 35,006</b>	<b>\$ 10,013,612</b>

See accompanying notes to the basic financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
--PROPRIETARY FUNDS

**CHARTER TOWNSHIP OF MARQUETTE**  
**MARQUETTE, MICHIGAN**

Year Ended December 31, 2005

	Well Construction Fund	Wastewater Fund	Water Fund	Solid Waste Fund	Other Enterprise Funds	Total
<b>OPERATING REVENUES</b>						
Charges for services		\$ 415,806	\$ 657,331	\$ 177,889		\$ 1,251,026
Licenses, permits, and fees		84,954	30,931			115,885
Fines		1,867	238	151		2,256
Other		20,362	197,160	78,826	\$ 5,249	301,597
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 0</b>	<b>522,989</b>	<b>885,660</b>	<b>256,866</b>	<b>5,249</b>	<b>1,670,764</b>
<b>OPERATING EXPENSES</b>						
Salaries and wages		112,484	124,831	10,270		247,585
Employee benefits and payroll taxes		73,986	75,048	6,192		155,226
Supplies		11,386	21,452	4,269		37,107
Professional services		6,059	92,226	917	485	99,687
Travel		31	1,260			1,291
Community promotion				13,128		13,128
Education			125			125
Other services		146,815	252,117	225,213		624,145
Capital expenses	17,409					17,409
Amortization				8,297		8,297
Depreciation		87,912	51,500			139,412
<b>TOTAL OPERATING EXPENSES</b>	<b>17,409</b>	<b>438,673</b>	<b>618,559</b>	<b>268,286</b>	<b>485</b>	<b>1,343,412</b>
<b>OPERATING INCOME</b>	<b>(17,409)</b>	<b>84,316</b>	<b>267,101</b>	<b>(11,420)</b>	<b>4,764</b>	<b>327,352</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Interest income		44,028	13,966	11,503	485	69,982
Contribution from customers		28,120				28,120
Interest and fiscal charges		(70,462)		(3,030)		(73,492)
Fire protection charges			20,000			20,000
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>0</b>	<b>1,686</b>	<b>33,966</b>	<b>8,473</b>	<b>485</b>	<b>44,610</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>(17,409)</b>	<b>86,002</b>	<b>301,067</b>	<b>(2,947)</b>	<b>5,249</b>	<b>371,962</b>
Transfers in					12,000	12,000
Transfers out		(23,000)	(37,451)	(23,000)		(83,451)
<b>CHANGE IN NET ASSETS</b>	<b>(17,409)</b>	<b>63,002</b>	<b>263,616</b>	<b>(25,947)</b>	<b>17,249</b>	<b>300,511</b>
Net assets at beginning of year	0	3,387,040	1,953,457	393,293	17,273	5,751,063
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ (17,409)</b>	<b>\$ 3,450,042</b>	<b>\$ 2,217,073</b>	<b>\$ 367,346</b>	<b>\$ 34,522</b>	<b>\$ 6,051,574</b>

See accompanying notes to the basic financial statements.

# STATEMENT OF CASH FLOWS--PROPRIETARY FUNDS

## CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN

Year Ended December 31, 2005

	Well Construction Fund	Wastewater	Water	Solid Waste	Other Enterprise Funds	Total
<b>CASH FLOW PROVIDED (USED) BY OPERATING ACTIVITIES</b>						
Net cash received from fees and charges for services		\$ 569,634	\$ 404,596	\$ 250,585	\$ 5,248	\$ 1,230,063
Cash payments to suppliers and employees for goods and services		(343,952)	(122,439)	(256,892)		(723,283)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 0	225,682	282,157	(6,307)	5,248	506,780
<b>NON-CAPITAL FINANCING ACTIVITIES</b>						
Operating transfers in					12,000	12,000
Operating transfers out		(23,000)	(37,452)	(23,000)		(83,452)
Change in interfund balances	(131,099)		(174,273)	167,372		(138,000)
Proceeds from loan for purchase of land			240,000			240,000
Fire protection charges			20,000			20,000
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	(131,099)	(23,000)	48,275	144,372	12,000	50,548
<b>CAPITAL FINANCING ACTIVITIES</b>						
Acquisition of capital assets		(96,834)	(269,300)			(366,134)
Bond borrowings	2,529,729					
Principal payments on long-term debt		(173,895)		(7,330)		(181,225)
Interest and fiscal payments on long-term debt		(71,928)		(3,030)		(74,958)
NET CASH USED BY CAPITAL FINANCING ACTIVITIES	2,529,729	(342,657)	(269,300)	(10,360)		1,907,412
<b>INVESTING ACTIVITIES</b>						
Interest income		44,028	13,966	11,503	485	69,982
Well system construction expenditures	(2,398,628)					
NET CASH USED BY INVESTING ACTIVITIES	(2,398,628)	44,028	13,966	11,503	485	69,982
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2	(95,947)	75,098	139,208	17,733	136,094
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,288,862	586,607	67,483	17,273	1,960,225
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2</u>	<u>\$ 1,192,915</u>	<u>\$ 661,705</u>	<u>\$ 206,691</u>	<u>\$ 35,006</u>	<u>\$ 2,096,319</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>						
Operating income (loss)		\$ 84,316	\$ 267,102	\$ (11,422)	\$ 5,248	\$ 345,244
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization		139,073	51,500	8,297		198,870
Equity in earnings on investment		(13,652)				(13,652)
Changes in assets and liabilities:						
(Increase) Decrease in accounts receivable		(21,740)	(481,158)	(6,281)		(509,179)
(Increase) Decrease in construction in progress		37,332				37,332
(Increase) Decrease in prepaid expenses		(560)	580,496	(214)		579,722
Increase (Decrease) in accounts payable		1,670	(140,381)	1,921		(136,790)
Increase (Decrease) in security deposits payable			2,135	1,350		3,485
Increase (Decrease) in accrued vacation			2,910			2,910
Increase (Decrease) in accrued expenses		(757)	(447)	42		(1,162)
TOTAL ADJUSTMENTS	0	141,366	15,055	5,115	0	161,536
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 0</u>	<u>\$ 225,682</u>	<u>\$ 282,157</u>	<u>\$ (6,307)</u>	<u>\$ 5,248</u>	<u>\$ 506,780</u>

See accompanying notes to the basic financial statements.

STATEMENT OF FIDUCIARY NET ASSETS

**CHARTER TOWNSHIP OF MARQUETTE  
MARQUETTE, MICHIGAN**

December 31, 2005

	<u>Agency</u>	<u>Tax Collection</u>	<u>Total</u>
ASSETS--Cash and cash equivalents	<u>\$ 9,242</u>	<u>\$ 680,736</u>	<u>\$ 689,978</u>
LIABILITIES			
Due to other funds	\$ 833	\$ 8,379	\$ 9,212
Due to other governmental units	2,245	672,357	674,602
Other	<u>6,164</u>		<u>6,164</u>
TOTAL LIABILITIES	<u>\$ 9,242</u>	<u>\$ 680,736</u>	<u>\$ 689,978</u>

See accompanying notes to the basic financial statements.

## NOTES TO FINANCIAL STATEMENTS

### **CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN**

December 31, 2005

#### **NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Charter Township of Marquette, (Township), Marquette, Michigan, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local units of government through its pronouncements. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Township are discussed below:

#### **REPORTING ENTITY**

The Township was organized in 1871 and became a Charter Township in 1986. The Township operates under an elected Board of seven members and provides services to its residents including public safety, utility services, community enrichment, and development. As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Charter Township of Marquette, Marquette, Michigan, (the primary government), and its component unit. The component unit discussed below is included in the Township's reporting entity because of the significance of its operational and financial relationships with the Township.

Component Unit: In conformity with accounting principles generally accepted in the United States of America, the financial statements of the Downtown Development Authority (DDA) have been included in the financial reporting entity as a discretely presented component unit. Board members of the DDA are appointed by the Township Supervisor and approved by the Township Board. The Township is neither able to reject or modify major projects nor able to remove DDA Board members at its discretion. The criteria for blending are not met since the DDA does not provide services entirely or almost entirely to the Township. In addition, the DDA Board and the Township Board are not substantively the same.

Certain other governmental organizations are not considered to be component units of the Township entity for financial reporting purposes. The criteria established by Governmental Accounting Standards Board Statement No. 14 for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. Based upon the application of these criteria, the financial statements of certain other governmental organizations are not included in the financial statements of the Township.

## NOTES TO FINANCIAL STATEMENTS--Continued

### CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

##### Basic Financial Statements--Government-wide Financial Statements

The Township's basic financial statements include both government-wide and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements measure and report all financial information using the economic resources measurement focus and the accrual basis of accounting. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported as either invested in capital assets, net of related debt, restricted, or unrestricted.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, privileges provided, or services of a given function or segment and (2) grants or contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

The government-wide focus emphasizes the sustainability of the Township as an entity and the change in the Township's net assets resulting from the current year's activities.

##### Basic Financial Statements--Fund Financial Statements

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses.

## NOTES TO FINANCIAL STATEMENTS--Continued

### CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as it is both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and must be recognized as revenues of the current fiscal period. All other revenue is considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

All Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred, if measurable.

The Township reports the following major Governmental Funds:

**General Fund**--The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. General Fund activities are financed by revenue from general property taxes, state-shared revenue, and other sources.

**Fire Fund**--The Fire Fund is used to account for all activities of the fire department.

**Township Improvement Fund**--The Township Improvement Fund is used to account for all activities for recreation, building and road capital improvements.

The Township reports the following major Proprietary Funds:

**Well Construction Fund**--The Well Construction Fund was established in 2005 to account for the construction activities of the new Township water system.

**Wastewater Fund**--The Wastewater Fund accounts for the operations of wastewater disposal and treatment for approximately 734 Township customers.

**Water Fund**--The Water Fund accounts for the activities of the water distribution and treatment system for approximately 945 Township customers.

**Solid Waste**--The Solid Waste Fund accounts for the operation of providing garbage and recycling services to residents, as well as landfill usage and spring and fall cleanup.

NOTES TO FINANCIAL STATEMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE  
MARQUETTE, MICHIGAN**

**NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued**

Additionally, the Township reports the following Fiduciary Fund types:

**Trust and Agency Fund**--The Trust and Agency Fund accounts for payroll withholdings and resulting payments, as well as the collection and disbursement of delinquent personal property taxes.

**Tax Collection Fund**--The Tax Collection Fund accounts for the collection and distribution of property taxes, as well as dog tags for the County of Marquette.

The emphasis in fund financial statements is on the major funds. Non-major funds by category are summarized into a single column for presentation. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the government combined) for the determination of major funds.

The Township's Fiduciary Funds are presented in the Fund Financial Statements by type. Since, by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

The Township will first apply restricted net assets for expenses incurred for purposes for which both restricted and unrestricted net assets are available.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally, dedicated resources are reported as general revenues rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. The principal operating revenues of the Wastewater, Water, Stormwater, and Solid Waste Enterprise Funds are charges to customers for sales and services. The Enterprise Funds also recognize, as operating revenues, the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

## NOTES TO FINANCIAL STATEMENTS--Continued

### CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

##### BUDGETS AND BUDGETARY ACCOUNTING

The Township adopts annual budgets for its General and Special Revenue Funds that can be amended by the Township Board throughout the year. Formal budgetary accounting is employed as a management control for all of its other funds. For each of the funds to which a formal budget is adopted, the same basis of accounting is used to reflect actual revenues and expenditures recognized on a basis consistent with accounting principles generally accepted in the United States of America. The budgeted financial statements in this report reflect the final budget authorizations, including amendments. All unexpended appropriations lapse at the fiscal year end.

##### CASH AND CASH EQUIVALENTS

The Township pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash account is available to meet current operating requirements. For purposes of the Statement of Cash Flows, cash equivalents include cash on hand, cash in checking, time deposits, certificates of deposit, money market funds, and highly liquid debt instruments with maturity of three months or less at the date of their acquisition.

##### DEPOSITS AND INVESTMENTS

The Township reports its deposits and investments in accordance with GASB No. 40, *Deposit and Investment Risk Disclosures*. This Statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, and foreign currency risk. As an element of interest rate risk, this statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified are also disclosed. The Township did not have any investments as of December 31, 2005.

State statutes authorize the Township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, mutual funds composed of investments as described above, and obligations of the State of Michigan or any of its political subdivisions, that at the time of purchase, are rated as investment grade by not less than one standard rating service.

## NOTES TO FINANCIAL STATEMENTS--Continued

### CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

##### RECEIVABLES

Revenues earned but not yet received are recorded as receivables on the Township's balance sheet. A provision for doubtful accounts is not necessary since all significant amounts have been collected subsequent to the balance sheet date.

##### CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, water and sewer mains, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the asset constructed. No such interest expense was incurred during the current fiscal year.

Depreciation of exhaustible capital assets used by Proprietary Funds is charged as an expense against operations, and accumulated depreciation is reported on the Proprietary Fund's balance sheets. Depreciation of exhaustible capital assets used by Governmental Funds is recorded in the government-wide statement of activities.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	39-40
Vehicles	5-9
Machinery and equipment	3-10
Infrastructure	5-50

## NOTES TO FINANCIAL STATEMENTS--Continued

### **CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN**

#### **NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued**

##### **PROPERTY TAXES**

The Township collects property taxes that are levied on December 1, based on the taxable value of property. Uncollected taxes are turned over for collection to Marquette County.

Property taxes levied are not recognized as revenue until the following year when they are considered "available" to finance current expenditures.

##### **COMPENSATED ABSENCES**

Township employees are entitled to certain compensated absences based on their length of service. Sick leave hours are credited to each employee as earned during a calendar year at a rate of one day per month. Employees are compensated for one-half of their unused accumulated sick leave hours up to a maximum of 480 hours upon separation or retirement from the Township. Vacation hours are earned based on years of service and are recorded and considered payable on the first day of the new fiscal year. A maximum of 120 vacation hours may be carried over to the next fiscal year.

All vacation and sick leave is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in the Governmental Funds only if they have matured or are considered a current liability.

##### **DUE TO/FROM OTHER FUNDS**

The Township has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds had not been paid or received as of fiscal year end, balances of interfund accounts receivable or payable have been recorded.

##### **LONG-TERM OBLIGATIONS**

In the government-wide financial statements and Proprietary Fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or Proprietary Fund type Statement of Net Assets. Bond premiums or discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, Governmental Fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTES TO FINANCIAL STATEMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE  
MARQUETTE, MICHIGAN**

**NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued**

**FUND EQUITY**

In the fund financial statements, Governmental Funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE  
MARQUETTE, MICHIGAN**

**NOTE B--CASH AND CASH EQUIVALENTS**

The Township's cash and cash equivalents included in the basic financial statements as of December 31, 2005, consist of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Activities</u>
Cash and cash equivalents	\$ 730,986	\$ 2,096,319	\$ 2,827,305	\$ 51,171	\$ 689,978

Cash and cash equivalents can also be summarized into the following categories:

Cash on hand	\$ 500
Demand deposits	30,967
Savings--primary government	701,953
Savings--component unit	51,171
Money markets	1,158,525
Time deposits	1,624,389
Cash with paying agent	949
	<u>\$ 3,568,454</u>

At year-end, the carrying amount of the Township's deposits with financial institutions was \$3,568,454 and the balance per bank statement was \$4,149,187. Of the bank balance, \$2,100,700 of the Township's deposits was insured by the Federal Deposit Insurance Corporation (FDIC). The remaining balance of \$2,048,487 was uninsured and uncollateralized. Therefore, the Township is subject to custodian credit risk. Custodian credit risk is the risk that, in the event of a financial institution failure, the Township's deposits may not be returned to it. The Township places its deposits with high quality financial institutions. Although such deposits exceed federally insured limits, they are in the opinion of the Township subject to minimal credit risk.

The Township did not have any investments as of December 31, 2005.

NOTES TO FINANCIAL STATEMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE  
MARQUETTE, MICHIGAN**

**NOTE C--INTERFUND RECEIVABLES AND PAYABLES**

The amounts of interfund receivables and payables at December 31, 2005, are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
PRIMARY GOVERNMENT		PRIMARY GOVERNMENT	
General	\$ 9,212	Tax Collection	\$ 8,379
Solid Waste	102,500	Township Improvements	102,500
Well Construction	131,099	Agency	833
		Water	131,099
TOTAL PRIMARY GOVERNMENT	<u>242,811</u>	TOTAL PRIMARY GOVERNMENT	<u>242,811</u>
TOTAL COMPONENT UNITS	<u>0</u>	TOTAL COMPONENT UNITS	<u>0</u>
TOTAL REPORTING ENTITY	<u><u>\$242,811</u></u>	TOTAL REPORTING ENTITY	<u><u>\$242,811</u></u>

NOTES TO FINANCIAL STATEMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE  
MARQUETTE, MICHIGAN**

**NOTE D--CAPITAL ASSETS**

A summary of the capital asset activity for the year ended December 31, 2005, was as follows:

**Primary Government**

	Balance January 1, 2005	Additions	Deductions	Balance December 31, 2005
Governmental activities				
Capital assets not depreciated:				
Land	\$ 1,171,756			\$ 1,171,756
Land improvements		\$ 27,205		27,205
Total governmental capital assets not being depreciated	1,171,756	27,205	\$ 0	1,198,961
Capital assets being depreciated:				
Building and improvements	347,470			347,470
Fire equipment	25,572			25,572
Vehicles	1,037,549	58,781		1,096,330
Total governmental capital assets being depreciated	1,410,591	58,781	0	1,469,372
Less accumulated depreciation for:				
Building and improvements	192,682	13,989		206,671
Fire equipment	3,901	3,653		7,554
Vehicles	645,239	88,347		733,586
Total accumulated depreciation of governmental capital assets	841,822	105,989	0	947,811
Total capital assets being depreciated, net	568,769	(47,208)	0	521,561
Governmental capital assets, net	\$ 1,740,525	\$ (20,003)	\$ 0	\$ 1,720,522

The following is a breakdown of current depreciation for the primary government capital assets:

Public Safety--Fire Fund	\$ 101,315
Unallocated depreciation	4,674
Total primary government depreciation	<u>\$ 105,989</u>

NOTES TO FINANCIAL STATEMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE  
MARQUETTE, MICHIGAN**

**NOTE D--CAPITAL ASSETS--Continued**

**Business-type Activities**

	Balance January 1, 2005	Additions	Deductions	Balance December 31, 2005
Business-type activities:				
Capital assets not depreciated:				
Land		\$ 240,000		\$ 240,000
Land improvements	\$ 560,293			560,293
Total business-type capital assets not being depreciated	560,293	240,000	\$ 0	800,293
Capital assets being depreciated:				
Buildings and improvements	353,961			353,961
Machinery and equipment	46,900			46,900
Vehicles	81,774	44,600		126,374
Infrastructure assets	4,421,677	81,531		4,503,208
Total business-type capital assets being depreciated	4,904,312	126,131	0	5,030,443
Less accumulated depreciation for:				
Buildings and improvements	178,135	8,924		187,059
Machinery and equipment	6,702	11,486		18,188
Vehicles	49,004	10,680		59,684
Infrastructure assets	1,319,274	108,322		1,427,596
Total accumulated depreciation	1,553,115	139,412	0	1,692,527
Total capital assets being depreciated, net	3,351,197	(13,281)	0	3,337,916
Business-type capital assets, net	\$ 3,911,490	\$ 226,719	\$ 0	\$ 4,138,209

**NOTE E--INVESTMENT IN WASTEWATER TREATMENT PLANT**

On July 1, 1993, an amendment to the Marquette County Wastewater Disposal System contract changed the ownership of the three municipalities involved. The Charter Township of Marquette paid to the City of Marquette and to the Charter Township of Chocolay the sum of \$54,743, for an allocation of an additional 4.5 percent of the capacity of the facility. They also assumed an additional 4.5 percent of future bonded debt payments of the facility.

## NOTES TO FINANCIAL STATEMENTS--Continued

### CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN

#### NOTE E--INVESTMENT IN WASTEWATER TREATMENT PLANT--Continued

The new ownership percentages for the City of Marquette, the Charter Township of Chocolay, and the Charter Township of Marquette, after the amendment, are 77.55 percent, 12.45 percent, and 10.00 percent, respectively. In a separate agreement between the Charter Township of Marquette and the Township's Downtown Development Authority (DDA), the DDA assumed financial responsibility for this increased capacity and bonded debt through payment of the \$54,743 to each party plus 45 percent of the bonded debt payments. Accordingly, each year, the DDA makes transfers to the Township to cover their share of the bonded debt.

The facility has a separate advisory board made up of three representatives from the City of Marquette, one from Chocolay Township, and one from the Charter Township of Marquette. The advisory board and the governing board of the City of Marquette approve the budget for the facility. The usage rate for the governmental units are set by the facility's board. The fiscal year of the facility ends June 30, and a separate audit report of the facility for the fiscal year ended June 30, 2005, has been issued.

A summary of financial information of the facility for the year ended June 30, 2005, is as follows:

Assets	\$ 5,760,122
Liabilities	507,468
Fund equity	5,252,654
Total operating revenues	1,180,652
Total operating expenses	1,595,332
Operating loss	(414,707)
Net loss	(392,896)
Township's share of net loss	(39,290)

The Township's share of the facility's equity at June 30, 2005, increased by contributions to the facility since that date, is recorded as an asset on the Township's financial statements. The municipalities are charged for their usage of the system in amounts equal to the annual operating expenses, excluding depreciation. The Township's share of the facility's assets, liabilities, equity, and changes in equity is equal to its ownership percentage.

The construction of the facility was partially financed through bonds issued by Marquette County for which the full faith and credit of the three municipalities have been pledged. The Charter Township of Marquette's portion of that debt is \$40,959 at December 31, 2005.

## NOTES TO FINANCIAL STATEMENTS--Continued

### CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN

#### NOTE F--INVESTMENT IN SOLID WASTE AUTHORITY

During 1988, the Township joined the Marquette County Solid Waste Management Authority (Authority). The Township paid an initial fee of \$102,623 and agreed to repay a proportional share of the 1988 bond issue of \$2,675,000 to the Authority. On July 13, 1993, the Authority refunded the Series 1988 bonds by issuing \$2,195,000 in Local Government Loan Refunding Revenue Bonds, Series 1993B. The Township's proportional share was adjusted in 2002 based upon the population changes of the 2000 census.

A summary of financial information from the separately audited financial statements of the Authority as of and for the year ended June 30, 2005, is as follows:

Total assets	\$ 13,560,611
Total liabilities	2,075,460
Total equity	11,485,151
Total operating revenues	2,425,089
Total operating expenses	2,149,808
Net income	579,066
Total long-term debt	1,707,568

The Township accounts for its investment in the Authority by the cost method. The total outstanding debt is payable from the net revenues of the Authority, as well as by each member of the Authority to the extent of their pro rata share of the principal and interest requirements on the bonds.

#### NOTE G--DRAINAGE DISTRICT

The Marquette County Drain Commission established a drainage district that contains a portion of Marquette Township. Accordingly, the Township is responsible for a portion of improvement costs. The Township's portion of the expense is approximately \$754,689, which included a \$200,000 payment made by the Township at the beginning of the project with the remaining amount payable as part of the 15-year Badger Creek Drain Bonds issued in 1995. The Township's debt is \$217,196, as of December 31, 2005.

#### NOTE H--LONG-TERM DEBT

The Township was a participant in two separate bond refunding series conducted by Marquette County. The new bonds were used to retire various bond series issued by the County on behalf of local municipalities. The total savings resulting from lower interest rates of each bond refunding series was allocated between the various municipalities involved based on a ratio of debt outstanding to total refunded debt. As a result, the Township recognized a deferred loss of \$239,784 in its Wastewater Fund. The deferred losses are amortized to interest expense on a straight-line basis over the life of the bonds. As of December 31, 2005, the remaining deferred loss of \$118,993 is netted against debt obligations to arrive at the debt listed on the Statement of Net Assets.

# NOTES TO FINANCIAL STATEMENTS--Continued

## CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN

### NOTE H--LONG-TERM DEBT--Continued

A summary of the activity in long-term debt for the year ended December 31, 2005, is as follows:

	Balance January 1, 2005	Additions	Reductions	Balance December 31, 2005
PRIMARY GOVERNMENT				
Governmental Activities General Obligation				
Long-Term Debt:				
Refunding Bonds--Unlimited Tax,				
Series 1998	\$ 54,612		\$ 13,653	\$ 40,959
Land purchase note--2004	548,800		39,200	509,600
Fire truck note	173,921		34,337	139,584
Compensated absences	25,796	\$ 5,819		31,615
Badger Creek Drain Bonds	263,977		46,781	217,196
	<u>1,067,106</u>	<u>5,819</u>	<u>133,971</u>	<u>938,954</u>
Business-Type Activities Bonds Payable:				
Refunding Bonds--Unlimited Tax,				
Series 1998	33,928		8,482	25,446
Refunding Bonds--Limited Tax,				
Series 1998A	1,028,705		165,413	863,292
Solid Waste Authority bonds	43,985		7,331	36,654
Land purchase note--2005		240,000		240,000
Michigan Municipal Bonds Authority		2,529,729		2,529,729
	<u>1,106,618</u>	<u>2,769,729</u>	<u>181,226</u>	<u>3,695,121</u>
TOTAL PRIMARY GOVERNMENT	<u>2,173,724</u>	<u>2,775,548</u>	<u>315,197</u>	<u>4,634,075</u>
TOTAL REPORTING ENTITY	<u>\$ 2,173,724</u>	<u>\$ 2,775,548</u>	<u>\$ 315,197</u>	<u>\$ 4,634,075</u>

The annual principal and interest requirements for the years ending December 31, 2005 through December 31, 2019, are as follows:

	2006	2007	2008	2009	2010	2011-2015	2016-2020
Primary Government							
General Long-Term Debt	\$ 136,389	\$ 141,048	\$ 145,763	\$ 133,535	\$ 39,200	\$ 196,000	\$ 117,600
Business-Type Activities							
Long-Term Obligations	380,530	383,622	379,661	374,770	526,810	1,150,000	499,729
TOTAL PRINCIPAL	516,919	524,670	525,424	508,305	566,010	1,346,000	617,329
TOTAL INTEREST	148,219	131,130	110,120	133,131	68,604	154,998	32,923
TOTAL DEBT REQUIREMENTS	<u>\$ 665,138</u>	<u>\$ 655,800</u>	<u>\$ 635,544</u>	<u>\$ 641,436</u>	<u>\$ 634,614</u>	<u>\$ 1,500,998</u>	<u>\$ 650,252</u>

NOTES TO FINANCIAL STATEMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE  
MARQUETTE, MICHIGAN**

**NOTE H--LONG-TERM DEBT--Continued**

Notes payable consisted of the following:

	December 31	
	2005	2004
Note payable to bank in annual principal payments of \$39,200, maturing on November 19, 2018, plus interest at a fixed interest of 3.95% on the outstanding balance, secured by a real estate mortgage.	\$ 509,600	\$ 548,800
Note payable to bank in annual installments of \$39,013, maturing on February 1, 2009, including interest at a fixed interest of 3.95%, secured by a fire truck.	139,584	173,921
Note payable to bank in annual principal payments of \$16,000, maturing on March 25, 2010, plus interest at a fixed interest rate of 4.75% on the outstanding balance, secured by a real estate mortgage.	240,000	
	<u>\$889,184</u>	<u>\$722,721</u>

**NOTE I--CAPITALIZED LEASE OBLIGATIONS**

The Township has a lease agreement with Marquette County as a result of the construction of a sewer interceptor. The sewer interceptor was constructed in conjunction with the construction of the Marquette Area Wastewater Treatment Facility and was financed by the overall bond issue that financed the construction of the Facility. The Township's portion of the leased assets comprises approximately 5.2 percent of the total project cost and bond issue. The lease has been capitalized for financial statement purposes. The Township's portion of the lease obligation corresponds to approximately 5.2 percent of the principal and interest payments required to retire the original \$2,500,000 bond issue used to construct the Marquette Area Wastewater Treatment Facility.

NOTES TO FINANCIAL STATEMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE  
MARQUETTE, MICHIGAN**

**NOTE I--CAPITALIZED LEASE OBLIGATIONS--Continued**

Under the provisions of Act 185, Public Acts of Michigan, 1957, as amended, the Township and Marquette County also entered into a contractual agreement for construction of the Trowbridge Park Sewer System (Marquette County Sewage Disposal System No. 1). The project was financed by an Environmental Protection Agency grant in the amount of \$3.10 million awarded to the Township and \$2.35 million in general obligation bonds issued through the County of Marquette. Since construction took place within Marquette Township, the Township carries the constructed assets on its books and has recognized a liability for the bond obligation. The Township has pledged its full faith and credit to pay its contractual obligations.

The County acquired the system and leased it to the Township, commencing with the completion of the project. The Township pays all costs of operating, maintaining, and administering the system.

Future minimum lease payments on the two capital lease obligations are payable as follows:

	Sewer Inceptor	Sewer System	Total
2006	\$ 9,584	\$ 202,473	\$ 212,057
2007	9,219	191,908	201,127
2008	8,856	179,253	188,109
2009		168,889	168,889
2010		156,715	156,715
2011		81,800	81,800
	<u>\$ 27,659</u>	<u>\$ 981,038</u>	<u>\$ 1,008,697</u>

**NOTE J--DESIGNATED FUND BALANCE AND RETAINED EARNINGS**

The Township Improvement Fund has a designated fund balance of \$104,561 for future improvements to Township roads, buildings, and recreational facilities.

## NOTES TO FINANCIAL STATEMENTS--Continued

### **CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN**

#### **NOTE K--PROPERTY TAXES**

Property taxes are levied on taxable values of property located in the Township. Assessed values are established annually (the first Monday in March) and equalized by the State at an estimated 50 percent of current market value. Taxable values are also established annually (the first Monday in March). Taxable values are based on equalized values, but there are certain limitations on taxable values. Taxable values for each parcel of property cannot increase each year by more than the increase in the general price level of the preceding year or 5 percent, whichever is less, until ownership of the parcel is transferred. The property taxes are levied on December 1, and are payable without penalty through the following February 14. Property taxes are recognized as revenue in accordance with NCGA Interpretation 3 (Revenue Recognition - Property Taxes). The property taxes levied on December 1, are recorded as revenue in the following year because they are expected to finance expenditures of the following year.

The Township collects its own property taxes and also collects property taxes of the State of Michigan, County of Marquette, intermediate school district, and local school district within its jurisdiction. Collections and remittances of all property taxes are accounted for in the Tax Collection Fund.

#### **NOTE L--PENSION PLANS**

In fiscal year ended December 31, 2005, the Township began to participate in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer pension plan that covers all full time employees of the Township. The plan provides retirement, disability, and death benefits to plan members and their beneficiaries in accordance with state statute and Township ordinance after a ten-year vesting period. The Municipal Employees' Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for the entire MERS system. The report may be obtained by writing to the Municipal Employees' Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917.

All full-time employees' benefits vest after ten years of service. Current Township union and administrative non-union active employees covered by the defined benefit plan who retire at or after the age of 60 with 10 years of credited service are entitled to an annual retirement benefit payable monthly in an amount equal to the sum of 2.00 percent of a member's five year average compensation, times the number of years service (B2). (MERS) provides for early retirement benefits for all active employees at age 55 with 15 years of service at a reduced retirement benefit, at age 50 with 25 years of service at a reduced retirement benefit, at age 55 with 15, 20, 25, or 30 years of service without reduced benefits and at age 50 with 25 or 30 years of service without reduced benefits.

## NOTES TO FINANCIAL STATEMENTS--Continued

### **CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN**

#### **NOTE L--PENSION PLANS--Continued**

Current, active Township employees and management employees covered by the defined benefit plan hired after January 1, 1999, are entitled to an automatic non-compounded 2.5% increase without any Consumer Price Index limitation (E-2).

The System also provides death and disability benefits. The benefit provisions and all other requirements are established by state statute and Board ordinance.

Active employees with ten or more years of service, who become disabled, receive an amount equal to the same as would be received under the normal retirement requirements, except that the reduction for retirement before age 60 is not applied. If the disability is from service connected causes, the amount of retirement allowance shall be not less than 25% of the member's final average compensation.

If an employee dies, the beneficiary receives a retirement allowance computed in the same manner as a service retirement allowance, but reduced to reflect Option II (100 percent joint and survivor) election. An employee's surviving spouse will receive a retirement allowance equal to 85 percent of the deceased members or deceased vested former members accrued retirement allowance computed in the same manner as a service retirement allowance, based on service and final average compensation at time of death.

Plan members are required to contribute 2.95 percent of their annual salary to the plan. The Township is required to contribute an actuarially-determined rate. The contribution requirements of plan members and the Township are established and may be amended by the Township and the MERS Board of Trustees, respectively.

#### **NOTE M--DEFERRED COMPENSATION PLANS**

The Township offers its employees a deferred compensation plan created in accordance with IRS Code Section 457. The plan is administered by the International City Managers Association (ICMA) and permits employees to defer a portion of their current earnings. The Township does not make any contributions to the plan. Voluntary contributions made to the plan for the year ended December 31, 2005 totaled \$2,600.

The Township also participates in a medical/dependent care plan created in accordance with IRS Code Section 125. The plan is administered by American Family Life Assurance Company (AFLAC) and permits employees to defer a portion of their current earnings. The Township does not make any contributions to the plan. Voluntary contributions made to the plan for the year ended December 31, 2005 totaled \$1,002.

NOTES TO FINANCIAL STATEMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE  
MARQUETTE, MICHIGAN**

**NOTE N--INTERFUND TRANSFERS IN AND OUT**

Operating transfers between the Township's funds for the year ending December 31, 2005, are as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfer Out</u>
PRIMARY GOVERNMENT		PRIMARY GOVERNMENT	
General	\$ 65,607	General	\$ 55,100
Township improvements	97,600	Fire	46,500
Debt service	14,451	Wastewater	23,000
Stormwater	12,000	Water	37,451
		Liquor Law	4,607
		Solid Waste	23,000
TOTAL PRIMARY GOVERNMENT	<u>189,658</u>	TOTAL PRIMARY GOVERNMENT	<u>189,658</u>
TOTAL COMPONENT UNIT	<u>0</u>	TOTAL COMPONENT UNIT	<u>0</u>
TOTAL REPORTING ENTITY	<u>\$ 189,658</u>	TOTAL REPORTING ENTITY	<u>\$ 189,658</u>

NOTES TO FINANCIAL STATEMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE  
MARQUETTE, MICHIGAN**

**NOTE O--SEGMENT INFORMATION**

The Township maintains three Enterprise Funds that provide water and sewer services and garbage collection to Township residents. A fourth Enterprise Fund, the Well Construction Fund was developed to account for the construction activities of the Township water project. Segment information and the consolidated statement of cash flows for the year ended December 31, 2005, is as follows:

	Well Construction Fund	Waste Water Utility	Water Utility	Solid Waste Utility	Total Enterprise Utility
Operating revenues		\$ 522,989	\$ 885,660	\$ 256,866	\$ 1,665,515
Operating expenses less depreciation	\$ 17,409	350,761	567,059	268,286	1,186,106
Depreciation		87,912	51,500		139,412
Income (loss) from operations		84,316	267,101	(11,420)	339,997
Non-operating revenues (expenses)		1,686	33,966	8,473	44,125
Operating transfers:					
In			20,000		20,000
Out					
Net income (loss)	(17,409)	63,002	263,616	(25,947)	300,671
Property, plant, and equipment:					
Additions		96,834	269,300		366,134
Deductions					
Working capital		1,204,852	942,124	298,879	2,445,855
Total assets	2,584,433	4,260,157	2,704,581	429,435	7,394,173
Non-current liabilities	2,344,729	614,126	15,808	28,551	658,485
Beginning net assets		3,387,040	1,953,457	393,293	5,733,790
Change in net assets	(17,409)	63,002	263,616	(25,947)	300,671
Retained earnings at end of year	(17,409)	3,450,042	2,217,073	367,346	6,034,461
Beginning cash and cash equivalents		1,288,862	586,607	67,483	1,942,952
Net cash provided by:					
Operating activities		225,682	282,157	(6,307)	501,532
Noncapital financing activities	(131,099)	(23,000)	48,275	144,372	169,647
Capital and related financing activities	2,529,729	(342,657)	(269,300)	(10,360)	(622,317)
Investing activities	(2,398,628)	44,028	13,966	11,503	69,497
Ending cash and cash equivalents	\$ 2	\$ 1,192,915	\$ 661,705	\$ 206,691	\$ 2,061,311

## NOTES TO FINANCIAL STATEMENTS--Continued

### **CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN**

#### **NOTE P--DOWNTOWN DEVELOPMENT AUTHORITY**

The Township established a Downtown Development Authority (DDA) pursuant to Public Act 197 of 1975, as amended, by adoption of Township Ordinance 040886. Township Ordinance 050587 adopted and approved a Development Plan and a Tax Increment Financing Plan for the Township's Downtown Development Area. Both of these ordinances have been amended in subsequent years.

The current Development Area consists of approximately 740 acres of land. Improvements to the Development Area consist of water and sewer system extensions, wastewater treatment capacity, and road extensions. The cost of most improvements is financed by tax increment revenues, Downtown Development general obligation bonds, and unbonded debt agreements.

The Downtown Development Authority is accounted for as a discretely presented component unit. Upon completion of the projects, assets are transferred to the Water Fund and the Wastewater Fund as appropriate.

#### **NOTE Q--RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The Township currently has employed a cooperative action agreement with the Michigan Township Participating Plan (Plan) in order to manage these risks.

The purpose of the agreement is to jointly exercise powers common to each participating member; to prevent or lessen the incidence and severity of casualty losses occurring in the operations of members; and to defend and protect, in accordance with the agreement, any member against liability or loss. The Township's membership provides them with coverage in the following risk areas: property damage, liability, wrongful acts, law enforcement, automobile, bond, crime, inland marine, and boiler. Through its membership in the Plan, the Township does not assume indemnification or responsibility for the debts or claims against other members.

Workers' compensation risks are covered by a policy with the Accident Fund of Michigan.

Certain other risks, such as damage to underground pipes, are borne by the Township. The Township believes that the amount of actual or potential claims, if any, against the Township as of December 31, 2005, are not material to the financial statements. Therefore, no provision for estimated claims is included in the financial statements.

NOTES TO FINANCIAL STATEMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE  
MARQUETTE, MICHIGAN**

**NOTE R--CONSTRUCTION IN PROGRESS AND CONSTRUCTION BONDS PAYABLE**

During the year ended December 31, 2005, the Township began construction of a municipal well system to supply water to its residents. The well system will be completed during fiscal year 2006. The project costs to date are reported as construction in progress on the December 31, 2005, Statement of Net Assets.

The project has been financed with the issuance of bonds through the Michigan Municipal Bond Authority and was funded through a loan from the Drinking Water Revolving Fund. The total amount of funding for the project was \$4,520,000 of which \$2,529,729 had been drawn as of December 31, 2005. The remainder of \$1,990,271 of loan funds will be drawn for construction expenditures during 2006. The loan bears interest at 2.125 percent and matures on October 1, 2025.

**NOTE S--RESTRICTED NET ASSETS**

The Township has reported restricted net assets of \$348,879 as of December 31, 2005, on the Statement of Net Assets. The restrictions represent the amount reported on the Statement of Net Assets related to the Township's investment in the Marquette County Wastewater Treatment Plant and the Marquette County Solid Waste Authority.

## **REQUIRED SUPPLEMENTAL INFORMATION**

COMBINING BALANCE SHEET--NONMAJOR GOVERNMENTAL FUNDS

**CHARTER TOWNSHIP OF MARQUETTE  
MARQUETTE, MICHIGAN**

December 31, 2005

	Liquor Law Enforcement	Debt Service	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,716		\$ 4,716
Interfund receivable			
<b>TOTAL ASSETS</b>	<u>\$ 4,716</u>	<u>\$ 0</u>	<u>\$ 4,716</u>
<b>LIABILITIES</b>			
Accounts payable			
Due to other funds			
<b>TOTAL LIABILITIES</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>FUND EQUITY</b>			
Reserved for:			
Roads			0
Buildings			0
Recreation			0
Unreserved	4,716		4,716
<b>TOTAL FUND EQUITY</b>	<u>4,716</u>	<u>0</u>	<u>4,716</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$ 4,716</u>	<u>\$ 0</u>	<u>\$ 4,716</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE--NONMAJOR GOVERNMENTAL FUNDS

**CHARTER TOWNSHIP OF MARQUETTE**  
**MARQUETTE, MICHIGAN**

Year Ended December 31, 2005

	Liquor Law Enforcement	Debt Service	Total
REVENUES			
Licenses, permits, and fees	\$ 4,608		\$ 4,608
Reimbursement of prior year expense			0
Interest income	71		71
Contributions and donations			0
Loan proceeds			0
TOTAL REVENUES	4,679	\$ 0	4,679
EXPENDITURES			
Current:			
General government			0
Road improvements			0
Capital			0
Debt Service--Interest		14,451	14,451
TOTAL EXPENDITURES	0	14,451	0
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,679	(14,451)	4,679
OTHER FINANCING SOURCES (USES)			
Operating transfers in		14,451	14,451
Operating transfers out	(4,607)		(4,607)
TOTAL OTHER FINANCING SOURCES (USES)	(4,607)	14,451	9,844
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	72		72
Fund balances at beginning of year	4,644		4,644
FUND BALANCES AT END OF YEAR	\$ 4,716	\$ 0	\$ 4,716

# BUDGETARY COMPARISON SCHEDULE--GENERAL FUND

## CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN

Year Ended December 31, 2005

	Original Budget	Amended Budget	Actual	Over (Under) Budget
<b>REVENUES</b>				
Taxes	\$ 757,776	\$ 766,376	\$ 774,028	\$ 7,652
Licenses, permits, and fees	6,500	6,500	5,117	(1,383)
State sources	247,869	243,669	244,598	929
Charges for services	2,100	2,100	3,592	1,492
Interest income	6,790	6,790	17,504	10,714
Other	39,223	40,223	33,863	(6,360)
<b>TOTAL REVENUES</b>	<b>1,060,258</b>	<b>1,065,658</b>	<b>1,078,702</b>	<b>13,044</b>
<b>EXPENDITURES</b>				
Current:				
Legislative	53,370	51,838	43,322	(8,516)
General government	485,440	491,095	471,523	(19,572)
Public safety	216,937	224,146	222,378	(1,768)
Public works	22,700	22,700	12,053	(10,647)
Recreation	133,611	132,611	130,109	(2,502)
Capital outlay	28,100	28,300	23,740	(4,560)
Debt service:				
Principal	85,981	85,981	85,981	
Interest	27,829	38,729	38,671	58
<b>TOTAL EXPENDITURES</b>	<b>1,053,968</b>	<b>1,075,400</b>	<b>1,027,777</b>	<b>47,623</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>6,290</b>	<b>(9,742)</b>	<b>50,925</b>	<b>(60,667)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	65,595	65,595	65,607	12
Operating transfers out	(55,100)	(55,100)	(55,100)	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>10,495</b>	<b>10,495</b>	<b>10,507</b>	<b>12</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>16,785</b>	<b>753</b>	<b>61,432</b>	<b>60,679</b>
Fund balance at beginning of year	78,593	79,380	112,303	
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 95,378</b>	<b>\$ 80,133</b>	<b>\$ 173,735</b>	<b>\$ 60,679</b>

BUDGETARY COMPARISON SCHEDULE--MAJOR GOVERNMENTAL FUND--FIRE FUND

**CHARTER TOWNSHIP OF MARQUETTE  
MARQUETTE, MICHIGAN**

Year Ended December 31, 2005

	Original Budget	Amended Budget	Actual	Over (Under) Budget
<b>REVENUES</b>				
Taxes	\$ 301,100	\$ 301,100	\$ 303,879	\$ 2,779
State grants		1,050		(1,050)
Charges for services	9,175	9,175	2,527	(6,648)
Interest income	4,200	4,200	5,214	1,014
Other			12,300	12,300
<b>TOTAL REVENUES</b>	<b>314,475</b>	<b>315,525</b>	<b>323,920</b>	<b>8,395</b>
<b>EXPENDITURES</b>				
Current:				
General government	19,453	19,453	13,275	(6,178)
Public safety	203,482	213,664	199,067	(14,597)
Capital outlay	19,000	61,300	51,792	(9,508)
Debt Service	39,013	39,013	39,013	(0)
<b>TOTAL EXPENDITURES</b>	<b>280,948</b>	<b>333,430</b>	<b>303,147</b>	<b>(30,283)</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>33,527</b>	<b>(17,905)</b>	<b>20,773</b>	<b>(38,678)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in				
Operating transfers out	(4,000)	(46,500)	(46,500)	
Fire protection--outgoing	(20,000)	(20,000)	(20,000)	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(24,000)</b>	<b>(66,500)</b>	<b>(66,500)</b>	<b>0</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>9,527</b>	<b>(84,405)</b>	<b>(45,727)</b>	<b>38,678</b>
Fund balance at beginning of year	350,779	117,141	155,626	
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 360,306</b>	<b>\$ 32,736</b>	<b>\$ 109,899</b>	<b>\$ 38,678</b>

BUDGETARY COMPARISON SCHEDULE--MAJOR GOVERNMENTAL FUND--TOWNSHIP  
IMPROVEMENTS FUND

**CHARTER TOWNSHIP OF MARQUETTE**  
**MARQUETTE, MICHIGAN**

Year Ended December 31, 2005

	Original Budget	Amended Budget	Actual	Over (Under) Budget
REVENUES				
Interest income	\$ 3,500	\$ 3,500	\$ 5,414	\$ 1,914
Reimbursement of prior year expense			300	
Contributions and donations			1,000	1,000
TOTAL REVENUES	3,500	3,500	6,714	2,914
EXPENDITURES				
Current:				
General government			755	(755)
Road improvements	50,000	195,000	232,346	
Capital outlay	5,100	5,100	24,850	(19,750)
TOTAL EXPENDITURES	55,100	200,100	257,951	(20,505)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(51,600)	(196,600)	(251,237)	(17,591)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	55,100	97,600	97,600	
Operating transfers out				
TOTAL OTHER FINANCING SOURCES (USES)	55,100	97,600	97,600	0
NET CHANGE IN FUND BALANCE	3,500	(99,000)	(153,637)	(17,591)
Fund balance at beginning of year	258,198	258,198	258,198	
FUND BALANCE AT END OF YEAR	<u>\$ 261,698</u>	<u>\$ 159,198</u>	<u>\$ 104,561</u>	<u>\$ (17,591)</u>

## **OTHER SUPPLEMENTAL INFORMATION**

DETAILS OF LONG-TERM DEBT  
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS

**CHARTER TOWNSHIP OF MARQUETTE**  
**MARQUETTE, MICHIGAN**

December 31, 2005

Fire Truck Installment Loan  
General Long-Term Obligations  
Notes Payable

Payable In Year	Beginning Balance	Annual Payments		Ending Balance
		Principal	Interest	
2006	\$ 141,780	\$ 33,413	\$ 5,600	\$ 108,367
2007	108,367	34,732	4,281	73,635
2008	73,635	36,105	2,908	37,530
2009	37,530	<u>37,530</u>	<u>1,483</u>	
		<u>\$ 141,780</u>	<u>\$ 14,272</u>	

Land Purchase Mortgage  
General Long-Term Obligations  
Notes Payable

Payable In Year	Beginning Balance	Annual Payments		Ending Balance
		Principal	Interest	
2006	\$ 509,600	\$ 39,200	\$ 20,129	\$ 470,400
2007	470,400	39,200	18,581	431,200
2008	431,200	39,200	17,032	392,000
2009	392,000	39,200	15,484	352,800
2010	352,800	39,200	13,936	313,600
2011-2015	313,600	196,000	35,613	117,600
2016-2020	117,600	<u>117,600</u>	<u>9,290</u>	
		<u>\$ 509,600</u>	<u>\$ 130,065</u>	

DETAILS OF LONG-TERM DEBT  
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE**  
**MARQUETTE, MICHIGAN**

December 31, 2005

Marquette Area Wastewater Treatment Plant  
General Long-Term Obligations  
Refunding Bonds--Unlimited Tax, Series 1998

Payable In Year	June 1 Interest	December 1		Total
		Principal	Interest	
2006	\$ 887	\$ 13,653	\$ 887	\$ 15,427
2007	594	13,653	594	14,841
2008	300	13,653	300	14,253
	<u>\$ 1,781</u>	<u>\$ 40,959</u>	<u>\$ 1,781</u>	<u>\$ 44,521</u>

Badger Creek Drain Bonds  
General Long-Term Obligations  
Bonds Payable

Payable In Year	April 1			October 1 Interest	Interest Rate	Total
	Principal	Interest	Fees			
2006	\$ 50,123	\$ 7,445	\$ 267	\$ 5,765	6.60	\$ 63,600
2007	53,463	5,765	267	3,948	6.70	63,443
2008	56,805	3,948	267	1,988	6.80	63,008
2009	56,805	1,993	267		6.90	59,065
	<u>\$ 217,196</u>	<u>\$ 19,151</u>	<u>\$ 1,068</u>	<u>\$ 11,701</u>		<u>\$ 249,116</u>

DETAILS OF LONG-TERM DEBT  
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE**  
**MARQUETTE, MICHIGAN**

December 31, 2005

Sewer Interceptor Capital Lease Obligation  
Wastewater Fund  
Refunding Bonds--Unlimited Tax, Series 1998

Payable In Year	June 1 Interest	December 1		Total
		Principal	Interest	
2006	\$ 551	\$ 8,482	\$ 551	\$ 9,584
2007	369	8,482	368	9,219
2008	187	8,482	187	8,856
	<u>\$ 1,107</u>	<u>\$ 25,446</u>	<u>\$ 1,106</u>	<u>\$ 27,659</u>

Sewage Disposal System No. 1  
Wastewater Fund  
Refunding Bonds--Limited Tax, Series 1998A

Payable In Year	May 1		November 1	Total
	Principal	Interest	Interest	
2006	\$ 162,946	\$ 19,076	\$ 20,451	\$ 202,473
2007	160,459	15,103	16,346	191,908
2008	155,726	11,309	12,218	179,253
2009	153,352	7,609	7,928	168,889
2010	150,810	4,105	1,800	156,715
2011-2015	80,000	1,800		81,800
	<u>\$ 863,293</u>	<u>\$ 59,002</u>	<u>\$ 58,743</u>	<u>\$ 981,038</u>

DETAILS OF LONG-TERM DEBT  
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE**  
**MARQUETTE, MICHIGAN**

December 31, 2005

Marquette County Solid Waste Facility  
Solid Waste Fund  
Bonds Payable

Payable In Year	May 1		November 1	Total
	Interest	Principal	Interest	
2006	\$ 1,331	\$ 8,102	\$ 926	\$ 10,359
2007	921	8,681	699	10,301
2008	694	9,453	260	10,407
2009	260	10,418		10,678
	<u>\$ 3,206</u>	<u>\$ 36,654</u>	<u>\$ 1,885</u>	<u>\$ 41,745</u>

Land Purchase Mortgage  
Water Fund  
Notes Payable

Payable In Year	Beginning Balance	Annual Payments		Ending Balance
		Principal	Interest	
2006	\$ 240,000	\$ 16,000	\$ 11,558	\$ 224,000
2007	224,000	16,000	10,788	208,000
2008	208,000	16,000	10,045	192,000
2009	192,000	16,000	9,247	176,000
2010	176,000	176,000	8,476	
		<u>\$ 240,000</u>	<u>\$ 50,114</u>	

DETAILS OF LONG-TERM DEBT  
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE**  
**MARQUETTE, MICHIGAN**

December 31, 2005

Drinking Water Program  
Water Fund  
Michigan Municipal Bond Authority

Payable In Year	October 1		April 1	Total
	Principal	Interest	Interest	
2006	\$ 185,000	\$ 28,244	\$ 24,551	\$ 237,795
2007	190,000	26,253	26,253	242,506
2008	190,000	24,243	24,234	238,477
2009	195,000	22,215	22,215	239,430
2010	200,000	20,143	20,144	240,287
2011-2015	1,070,000	58,792	58,793	1,187,585
2016-2020	499,729	10,909	12,724	523,362
	<u>\$ 2,529,729</u>	<u>\$ 179,890</u>	<u>\$ 176,190</u>	<u>\$ 2,991,242</u>

MUNICIPAL EMPLOYEES RETIREMENT SYSTEM (MERS)  
SCHEDULE OF FUNDING PROGRESS (UNAUDITED)

**CHARTER TOWNSHIP OF MARQUETTE**  
**MARQUETTE, MICHIGAN**

Valuation Date December 31	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
2004	\$ 395,683	\$ 369,543	\$ (26,140)	107%	\$ 243,830	0%
2005	\$ 453,794	\$ 807,153	\$ 353,359	56%	\$ 514,304	69%

The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized as a level percent of projected payroll on an open basis over a period of 25 years.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Township Board  
Charter Township of Marquette  
Marquette, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Marquette (Township), Marquette, Michigan, as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated June 8, 2006. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Charter Township of Marquette's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Charter Township of Marquette's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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*Our goal is to help you meet yours!*

Township Board  
Charter Township of Marquette

This report is intended solely for the information and use of the Township Board, management, and federal and state awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

*Makela, Toutant, Hill + Nardi, P.C.*

June 8, 2006



**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Township Board  
Charter Township of Marquette  
Marquette, Michigan

**Compliance**

We have audited the compliance of the Charter Township of Marquette with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. The Charter Township of Marquette's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Charter Township of Marquette's management. Our responsibility is to express an opinion on the Charter Township of Marquette's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Charter Township of Marquette's compliance with those requirements and performing such other procedures, as we considered necessary in our circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Charter Township of Marquette's compliance with those requirements.

In our opinion, the Charter Township of Marquette complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

**Internal Control Over Compliance**

The management of the Charter Township of Marquette is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Charter Township of Marquette's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.



Township Board  
Charter Township of Marquette

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Township Board, management, and federal and state awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

*Makela, Tontant, Hill & Nardi, P.C.*

June 8, 2006

# SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

## CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN

December 31, 2005

<u>Federal Agency/Pass-through Agency/ Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Entity Project/Grant Number</u>	<u>Award Amount</u>	<u>Federal Expenditures</u>
U.S. Environmental Protection Agency - Passed through Michigan Municipal Bond Authority - Capitalization Grants for Drinking Water State Revolving Funds	66.468	7160-01	\$4,520,000	\$ 1,054,881
TOTAL FEDERAL AWARDS				<u>\$ 1,054,881</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**CHARTER TOWNSHIP OF MARQUETTE  
MARQUETTE, MICHIGAN**

December 31, 2005

**NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The *Schedule of Expenditures of Federal Awards* is prepared using the same significant accounting policies as those used in the preparation of the basic financial statements.

**NOTE B--BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Charter Township of Marquette and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN

December 31, 2005

#### SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the Consolidated Financial Statements of the Charter Township of Marquette.
2. No reportable conditions were disclosed during the audit of the Consolidated Financial Statements.
3. No instances of noncompliance material to the financial statements of the Charter Township of Marquette were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of internal control over major federal award programs.
5. The auditors' report on compliance for the major federal award program the Charter Township of Marquette expresses an unqualified opinion on all major federal programs.
6. There are no audit findings that require disclosure under section 510(a) of OMB Circular A-133.
7. The program that was tested as major was the Capitalization Grant for Drinking Water State Revolving Fund (CFDA #66.468).
8. The threshold used for distinguishing between Type A and Type B programs was \$300,000.
9. The Charter Township of Marquette did not qualify as a low-risk auditee.

#### FINDINGS--FINANCIAL STATEMENTS AUDIT

None

#### FINDINGS AND QUESTIONED COSTS--MAJOR FEDERAL AWARD PROGRAMS

None



**MAKELA, TOUTANT, HILL & NARDI, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

201 West Bluff Street  
Marquette, Michigan 49855  
Members  
American Institute of CPAs  
Michigan Association of CPAs

**MANAGEMENT LETTER**

Township Board  
Charter Township of Marquette  
Marquette, Michigan

In planning and performing our audit of the financial statements of the Charter Township of Marquette (Township) for the year ended December 31, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be considered material weaknesses under standards established by the American Institute of Certified Public Accountants. An internal control structure should be designed to reduce, to a relatively low level, the risk that errors or irregularities in amounts that would be material in relation to the financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned function. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce this risk to a relatively low level for the financial statements being audited. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above. However, we became aware of the following matter that is an opportunity for strengthening internal controls and operating efficiency.

**ACCRUED LIABILITIES**

VACATION BALANCES

The personnel policy allows employees to earn varying amounts of vacation hours each year based on years of service. The policy also allows employees to carry forward a maximum of 15 vacation days into the following year. At December 31, 2005, Township records indicated one employee had vacation days accrued in excess of the allowable amount. We recommend the Township monitor the amount of vacation days accrued for each employee for compliance with personnel policies.

We appreciate the opportunity to serve the Charter Township of Marquette, and wish to acknowledge the assistance provided by the Township's staff during our audit. If you would like to discuss the aforementioned items further, we would be happy to do so at your convenience.

Sincerely,

*Makela, Toutant, Hill & Nardi, P.C.*



June 8, 2006

*Our goal is to help you meet yours!*